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May 24, 2011

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 - 12th Street, SW
Washington, DC 20554

Re: *Notice of Ex Parte Presentation* – In re: Lifeline and Link Up Reform and Modernization; Federal-State Joint Board on Universal Service; Lifeline and Link Up; WC Docket Nos. 11-42, 03-109 and CC Docket No. 96-45

Dear Ms. Dortch:

On Monday, May 23, 2011, Mark Widbin of Reunion Communications, Inc. ("Reunion Communications") and the undersigned counsel, met with Angie Kronenberg, Wireline Legal Advisor, Office of Commissioner Clyburn to discuss the proposal, contained in the March 4, 2011 Notice of Proposed Rulemaking in the above-captioned proceeding, to eliminate reimbursement for Toll Limitation Services ("TLS"). During the meeting, we discussed Reunion Communications' opposition to the Commission's proposed elimination of Lifeline reimbursement for TLS and support for the alternative of establishing non-recurring and monthly recurring TLS reimbursement caps.

In particular, we explained that Reunion Communications' proposed caps of $3.50 monthly recurring and $5.50 non-recurring are estimated medians based on a CGM study of AT&T TLS product rates paid by competitive ETCs that do not offer TLS using their own facilities. We also reiterated our support for requiring ETCs to submit cost documentation with reimbursement requests that reflect increases from amounts requested prior to adoption of the caps and for reimbursement requests that exceed the caps. Finally, we affirmed our support for review of TLS reimbursement level caps after a five-year period and cautioned against adopting phase-down and sunset proposals based on predictions of what the low-income consumer marketplace will look like at that time. We noted that ETC competition has spurred substantial success in raising low-income subscribership rates and reiterated competitive ETCs' reliance on

TLS reimbursement as a means of leveling the playing-field with incumbent LECs. We also observed that anticipated Commission action on the "duplicates" issue could force some low-income consumers to choose between wireline and wireless Lifeline offerings and suggested that significant numbers of low-income consumers likely would pick competitive ETC wireline offerings which provide the safety of unlimited inbound and local calling from a phone that is always on and always at home, as well as lower long distance rates (based on a comparison of \$0.10/mou for additional wireline 100 minute blocks and \$0.20/mou for additional wireless 100 minute blocks).

Our discussion, which tracked the attached document distributed at the meeting, was consistent with the positions taken in Reunion Communications' comments, reply comments and prior ex parte presentations filed in the above-captioned dockets.

In accordance with the Commission's rules, this letter is being filed electronically for inclusion in the public record of the above-referenced proceedings.

Respectfully submitted,

John J. Heitmann

Counsel to Reunion Communications, Inc.

cc: Angie Kronenberg (via e-mail)
Beau Finley (via e-mail)
Kim Scardino (via e-mail)

Lifeline: Reimbursement for Toll Limitation Service

WC Docket Nos. 11-42, 03-109 and CC Docket No. 96-45

Reunion Communications, Inc.
May 23, 2011

Reunion Communications, Inc.

- Reunion Communications is a vendor to the wholesale telecommunications market
  - Management team has over 50 years of combined telecom industry experience
  - Our primary customers are competitive LECs, including competitive ETCs
  - We provide a "toll control" TLS product to our customers
  - Our prices typically are at or below ILEC prices for "toll blocking" TLS products
- Reunion Communications is a small business founded in 2001 and based outside Chicago, Illinois
  - We are privately held and we have 9 employees
  - All our customers also are small businesses
  - Revenues for our toll control TLS product are a significant amount of our total

TLS Reimbursement Remains Essential

- TLS remains essential for keeping low-income consumers connected to the public switched telephone network – for the same reasons the Commission found it to be essential in 1997
  - Joint Board found that
    - studies demonstrated that the primary reason subscribers lost access was failure to pay toll charges
    - Low-income consumers may not be able to afford TLS
  - Joint Board has not recommended elimination of TLS reimbursement
    - no studies, data or other record evidence suggest that the Joint Board's recommendations are no longer sound

TLS Reimbursement Remains Essential (cont'd)

- TLS remains essential … for the same reasons the Commission found it to be essential in 1997
  - FCC, citing the success of TLS driving subscribership levels in Pennsylvania, found TLS to be
    - "essential to education, public health or public safety"
    - "'consistent with the public interest, convenience, and necessity' for low-income consumers in that they maximize the opportunity of those consumers to remain connected to the telecommunications network"
  - NPRM's proposal to eliminate TLS reimbursement is not tied to an adequate factual basis for reversing these conclusions…and the record does not support reversing them

Low-Income Consumers: Facts and Unintended Effects

- The proposed elimination of TLS reimbursement would have unintended effects on low-income consumers
  - Facts
    - Lifeline customers continue on average to pay high long distance rates
      - bundles include limited access and additional minutes are typically sold in 100 minute blocks at $0.10/mou (wireline) and $0.20/mou (wireless)
    - Lifeline customers typically qualify for very limited usage amounts in any distance calling plans, including wireless plans
    - Controlling toll calling remains important but difficult
    - Lifeline customers without TLS often are subject to substantial and unmanageable deposit requirements

Low-Income Consumers: Facts and Unintended Effects (cont'd)

- Unintended effects
  - Fewer low-income consumers connected to the network
    - Without TLS, low-income consumers will face
      - Disconnection…no service
      - Deposits…no service
      - Greater reliance on less desirable and more costly alternatives…less service/no service
      - Fewer choices…less service/no service
      - Higher prices…less service/no service

Small Businesses and Competitive ETCs: Facts and Unintended Effects

- The proposed elimination of TLS reimbursement would have unintended effects on small businesses, including Reunion and competitive ETCs
  - Elimination of Lifeline TLS reimbursement would make participation in Lifeline uneconomic for many small competitive ETCs
    - Competitive ETCs currently offer options, education and support programs not offered by the ILECs
    - TLS costs cannot be absorbed by competitive ETCs – profit margins are too thin (ILEC fees are up to $13.25 *NRC and $8.50 MRC*)
  - Jobs will be lost if small competitive ETCs exit the business
    - Competitive ETCs and vendors, including Reunion Communications and other small businesses, would be forced to contract and eliminate jobs

A Better Alternative

- The proposed elimination of the Lifeline TLS reimbursement mechanism is blunt regulation not smart regulation
- The alternative proposal – a reimbursement cap – is "smart regulation" that:
  - controls costs
  - prevents abuse from "bad actors"
- More importantly, a cap would preserve TLS which
  - keeps more low-income consumers connected to the network, emergency services and job opportunities
  - provides them with competitive choices and better options
  - preserves jobs at small businesses

The Record Supports Adoption of TLS Reimbursement Caps

- Consumers, NASUCA, NALA/PCA, CompTel, NJ Rate Counsel, competitive ETCs and others support Reunion Communications' positions
  - TLS and TLS reimbursement remain essential
  - Adopting TLS reimbursement caps is a better way to address waste fraud and abuse
- Those in favor of eliminating TLS reimbursement simply "voted"
  - Failed to provide any reasoned analysis or data to support their position
- Monthly recurring and non-recurring TLS reimbursement caps should be reviewed in 5 years
  - Above-cap reimbursement requests should be supported by documentation